

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

## Legislative Actuarial Note Health Benefits

**BILL NUMBER:** House Bill 528 (First Edition)

**SHORT TITLE:** Establish Chiropractor Co-Pay Parity.

**SPONSOR(S):** Representatives Burr, Jones, and Hanes

**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

### BILL SUMMARY:

House Bill 528 (First Edition) amends G.S. 58-50-30(a3), establishing that an insurer cannot impose a copayment, as a limitation on treatment or level of coverage, for services rendered by a duly licensed chiropractor that is higher than a copayment imposed for services performed by a duly licensed primary care physician for comparable, medically necessary treatment or condition.

The provisions of the bill would apply to the Plan because G.S. 135-48.51 specifies that all the provisions of G.S. 58-50-30 apply to the Plan. The in-network co-pays for primary care and chiropractic visits under the Plan during 2015 are as follows:

Plan:	Traditional 70/30	Enhanced 80/20	Consumer Directed
Primary Care Co-pay:	\$35	\$15 if visiting the physician named during the annual enrollment process; \$30 otherwise	None (deductible and coinsurance apply)
Chiropractic Co-pay:	\$64	\$52	None (deductible and coinsurance apply)

It is unclear if this bill would require the Plan to allow members to name a chiropractor as their provider of primary care during the enrollment process, making them eligible for the \$15 co-pay for services provided by that chiropractor. For purposes of this note, we have assumed that the Plan would not be required to allow this and therefore the \$30 co-pay would apply to chiropractic visits under the Enhanced 80/20 Plan. We have also assumed that there are no preventive services provided by chiropractors for which members are currently paying a co-pay in the Enhanced 80/20 Plan or deductible and coinsurance in the Consumer Directed Health Plan, but which would require no out-of-pocket payment if provided by a primary care physician under current provisions of the Plan.

**EFFECTIVE DATE:** The bill is effective January 1, 2016 and applies to policies issued on or after that date. For purposes of this note, the change is assumed to first apply to the Plan for the 2016 calendar plan year.

**ESTIMATED IMPACT ON STATE:**

The Segal Company, the actuary for the Plan, and Hartman & Associates, the actuary for the General Assembly, estimate the following increase in the Plan’s paid claims cost by fiscal year:

	The Segal Company	Hartman & Associates
FY 2015-16	\$1.0 million	\$0.8 million
FY 2016-17	\$2.6 million	\$2.2 million

The additional cost impact projected by either consulting actuary would be expected to impact premium contribution rates by less than an estimated one-tenth of one percent (0.1%) annually.

This estimate only reflects the impact on the Plan and does not include any impact on other health coverage offered within the state.

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

**Summary Information and Data about the Plan**

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments and charter schools may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

The State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement, with the exception of many Medicare-eligible retirees who are in fully-insured Medicare Advantage plans. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who participate in a plan with a non-zero premium or who elect dependent coverage. Starting in 2014, benefit and premium changes are typically effective at January 1. The Plan's PPO benefit design includes three alternative benefit levels listed below:

- 1) The "Traditional" 70/30 plan that offers higher out-of-pocket requirements in return for lower employee and retiree premiums without needing to complete wellness activities,
- 2) The "Enhanced" 80/20 plan that offers lower out-of-pocket requirements with higher employee and retiree premiums, which can be lowered by completing wellness activities, and
- 3) The Consumer-Directed Health Plan (CDHP) that applies deductibles and co-insurance to all services and offers lower employee and retiree premiums if one completes wellness activities

Medicare-eligible retirees are offered three alternative plans:

- 1) The "Traditional" 70/30 plan as coverage secondary to Medicare for medical services plus a pharmacy benefit plan,

- 2) "Base" Medicare Advantage Prescription Drug Plans (MA-PDPs) from a choice of two carriers, Humana or United Healthcare, that are actuarially equivalent to the "Enhanced" 80/20 Plan and apply in-network out-of-pocket requirements at out-of-network providers
- 3) "Enhanced" MA-PDPs, identical to the "Base" MA-PDPs, except with lower co-pays and higher retiree premiums

The following tables provide a summary of the most common monthly premium rates for the Plan in 2015:

**Active Employees and Non-Medicare Retirees**

Wellness Plans

	Employer Share	Employee/Retiree Share	
		Complete All Wellness Activities *	Complete No Wellness Activities
Enhanced 80/20 Plan	\$448.12	\$13.56	\$63.56
Consumer-Directed Health Plan	\$448.12	\$0.00	\$40.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$448.12	\$0.00

\* Members receive credits for each activity. We have shown all or none for simplicity.

**Medicare Retirees**

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$348.24	\$0.00
MA-PDP Enhanced Plan	\$348.24	\$33.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$348.24	\$0.00

**Dependents (paid by employee/retiree in addition to premiums above)**

	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Employee/Retiree + Children	\$272.79	\$184.60	\$205.12	\$114.50	\$147.50	\$145.94
Employee/Retiree + Spouse	\$628.54	\$475.68	\$528.52	\$114.50	\$147.50	\$383.72
Employee/Retiree + Family	\$666.38	\$506.64	\$562.94	\$229.00	\$295.00	\$418.10

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2014-15, employers contribute 5.49% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$848 million.

**Financial Condition**

**Projected Results for CY 2015 and CY 2016** – The following summarizes projected financial results for 2015 and 2016, based on financial experience through December, 2014 and enrollments for January, 2015. The projection assumes a 7.0% annual claims growth trend for medical claims, an 8.5% trend for pharmacy claims, benefit provisions and member-paid premiums as currently adopted by the Board, and assumed premium increases in 2016 based on the Board’s recommendation.

	(\$ millions)	
	Projected CY 2015	Projected CY 2016
Beginning Cash Balance	\$1,014.8	\$863.2
Receipts:		
Net Premium Collections	\$2,946.7	\$3,063.9
Medicare Part D / EGWP Subsidies	\$63.2	\$14.3
Investment Earnings	\$3.9	\$3.0
Total	\$3,013.8	\$3,081.2
Disbursements:		
Net Medical Claim Payment Expenses	\$2,099.3	\$2,175.5
Net Pharmacy Claim Payment Expenses	\$657.8	\$713.9
Medicare Advantage Premiums	\$174.2	\$193.4
Administration and Claims-Processing Expenses	\$234.1	\$237.8
Total	\$3,165.5	\$3,320.6
Net Operating Income (Loss)	(\$151.7)	(\$239.4)

Of the premiums paid in CY 2015, an estimated \$2.0 billion is derived from General Fund sources and an estimated \$0.1 billion is derived from Highway Fund sources.

**Other Information**

Additional assumptions include Medicare benefit “carve-outs,” cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, fraud detection, and other authorized actions by the State Treasurer, Executive Administrator, and Board of Trustees to manage the Plan to maintain and improve the Plan’s operation and financial condition where possible. Medical claim costs are expected to increase at a rate of 7.0% annually and pharmacy claim costs are expected to increase at a rate of 8.5% annually according to assumptions adopted by the Board of Trustees. The active population is projected to decline by 1% per year and the retired population is projected to increase by 1% per year.

**Enrollment as of January 1, 2015**

<b>I. No. of Participants</b>	<b>Traditional 70/30</b>	<b>Enhanced 80/20</b>	<b>Consumer Directed</b>	<b>Medicare Advantage</b>	<b>Total</b>	<b>Percent of Total</b>
<u>Actives</u>						
Employees	134,404	168,041	9,279	-	311,724	45.5%
Dependents	78,230	74,173	9,326	-	161,729	23.6%
Sub-total	212,634	242,214	18,605	-	473,453	69.1%
<u>Retired</u>						
Employees	58,623	31,116	847	98,813	189,399	27.6%
Dependents	6,513	4,032	353	7,787	18,685	2.7%
Sub-total	65,136	35,148	1,200	106,600	208,084	30.4%
<u>Other</u>						
Employees	904	1,512	59	-	2,475	0.4%
Dependents	627	582	69	-	1,278	0.2%
Sub-total	1,531	2,094	128	-	3,753	0.5%
<u>Total</u>						
Employees	193,931	200,669	10,185	98,813	503,598	73.5%
Dependents	85,370	78,787	9,748	7,787	181,692	26.5%
<b>Grand Total</b>	<b>279,301</b>	<b>279,456</b>	<b>19,933</b>	<b>106,600</b>	<b>685,290</b>	<b>100%</b>
<b>Percent of Total</b>	<b>40.8%</b>	<b>40.8%</b>	<b>2.9%</b>	<b>15.6%</b>	<b>100.0%</b>	
<b>II. Enrollment by Contract</b>						
	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>	
Employee Only	149,351	159,389	5,537	91,026	405,303	
Employee Child(ren)	26,212	26,050	2,287	187	54,736	
Employee Spouse	6,385	5,616	638	7,600	20,239	
Employee Family	10,656	8,812	1,622			
Other (e.g. Split Contract)	1,327	802	101		2,230	
<b>Total</b>	<b>193,931</b>	<b>200,669</b>	<b>10,185</b>	<b>98,813</b>	<b>482,508</b>	
<b>Percent Enrollment by Contract</b>						
	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>	
Employee Only	77.0%	79.4%	54.4%	92.1%	84.0%	
Employee Child(ren)	13.5%	13.0%	22.5%	0.2%	11.3%	
Employee Spouse	3.3%	2.8%	6.3%	7.7%	4.2%	
Employee Family	5.5%	4.4%	15.9%	0.0%	0.0%	
Other (e.g. Split Contract)	0.7%	0.4%	1.0%	0.0%	0.5%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>III. Enrollment by Sex</b>						
	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>	
Female	164,204	182,573	11,095	70,102	427,974	
Male	115,097	96,883	8,838	36,498	257,316	
<b>Total</b>	<b>279,301</b>	<b>279,456</b>	<b>19,933</b>	<b>106,600</b>	<b>685,290</b>	
<b>Percent Enrollment by Sex</b>						
	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>	
Female	58.8%	65.3%	55.7%	65.8%	62.5%	
Male	41.2%	34.7%	44.3%	34.2%	37.5%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

<b>IV. Enrollment by Age</b>	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>
24 & Under	72,665	66,607	7,567	10	146,849
25 to 44	73,396	74,376	5,727	290	153,789
45 to 54	46,998	55,289	3,438	1,128	106,853
55 to 64	47,633	76,519	3,029	1,579	128,760
65 & Over	38,609	6,665	172	103,593	149,039
<b>Total</b>	<b>279,301</b>	<b>279,456</b>	<b>19,933</b>	<b>106,600</b>	<b>685,290</b>

  

<b>Percent Enrollment by Age</b>	<b>Traditional</b>	<b>Enhanced</b>	<b>CDHP</b>	<b>MA</b>	<b>Total</b>
24 & Under	26.0%	23.8%	38.0%	0.0%	21.4%
25 to 44	26.3%	26.6%	28.7%	0.3%	22.4%
45 to 54	16.8%	19.8%	17.2%	1.1%	15.6%
55 to 64	17.1%	27.4%	15.2%	1.5%	18.8%
65 & Over	13.8%	2.4%	0.9%	97.2%	21.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

  

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	53,743	9,610	63,353
Medicare Eligible in Traditional 70/30	37,538	1,487	39,025
Medicare Eligible in Base Medicare Advantage Plans	60,833	2,831	63,664
Medicare Eligible in Enhanced Medicare Advantage Plans	37,980	4,956	42,936
<b>Total</b>	<b>190,094</b>	<b>18,884</b>	<b>208,978</b>

  

<b>Percent Enrollment by Category (Retiree)</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	28.3%	50.9%	30.3%
Medicare Eligible in Traditional 70/30	19.7%	7.9%	18.7%
Medicare Eligible in Base Medicare Advantage Plans	32.0%	15.0%	30.5%
Medicare Eligible in Enhanced Medicare Advantage Plans	20.0%	26.2%	20.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

  

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	69,629	33,021	102,650
UNC System	51,279	32,033	83,312
Local Public Schools	171,429	86,048	257,477
Charter Schools	3,402	2,044	5,446
Local Community Colleges	15,741	8,517	24,258
Other			
Local Governments	2,118	980	3,098
COBRA/Reduction in Force/Direct Bill	599	362	961
Nat. Guard, Fire & Rescue	2	2	4
Sub-total	314,199	163,007	477,206
Retirement System	189,399	18,685	208,084
<b>Total</b>	<b>503,598</b>	<b>181,692</b>	<b>685,290</b>

  

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	13.8%	18.2%	15.0%
UNC System	10.2%	17.6%	12.2%
Local Public Schools	34.0%	47.4%	37.6%
Charter Schools	0.7%	1.1%	0.8%
Local Community Colleges	3.1%	4.7%	3.5%
Other			
Local Governments	0.4%	0.5%	0.5%
COBRA/Reduction in Force	0.1%	0.2%	0.1%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	62.4%	89.7%	69.6%
Retirement System	37.6%	10.3%	30.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**SOURCES OF DATA:**

The Segal Company; preliminary financial projections updated through Q4 CY2014 under revised benefit proposal; dated February 6, 2015; as presented to the Board of Trustees on February 11, 2015. Filename “CY2014 Preliminary Q4 Update – Revised Proposal.pdf”

-Actuarial Note, Hartman & Associates, “Senate Bill 319: An Act to Reenact A Law Concerning Health Benefit Plan Co-Payments For Chiropractic Services”, April 7, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

-Actuarial Note, The Segal Company, “Senate Bill 319 Chiropractor Co-Pay Parity”, April 9, 2015, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly’s Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** David Vanderweide

**APPROVED BY:**

Mark Trogdon, Director  
Fiscal Research Division

**DATE:** April 8, 2015



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